

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

#### JOINT APPROP SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION

**Call to Order:** By **CHAIRMAN LILA TAYLOR**, on January 14, 1999 at  
8:00 A.M., in Room 402 Capitol.

#### ROLL CALL

**Members Present:**

Rep. Lila Taylor, Chairman (R)  
Sen. Mike Taylor, Vice Chairman (R)  
Sen. Eve Franklin (D)  
Sen. Ken Mesaros (R)  
Rep. Ray Peck (D)  
Rep. Joe Quilici (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lynn Daily, Committee Secretary  
Mary Beth Linder, OBPP  
Jim Turner, Legislative Fiscal Branch

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Mark O'Keefe, State Auditor, gives testimony for the Auditors  
office budget.

**EXHIBIT (jgh10a01):** House Bill 2 Testimony - Mark O'Keefe  
{Tape : 1; Side : A; Approx. Time Counter : 0 - 30.7}

**EXHIBIT (jgh10a02):** Comparative Data for Insurance Departments\*  
See Attachments

**EXHIBIT (jgh10a03):** Montana Consumer's Guide to Long Term  
Care

A Shopper's Guide to Long-Term Care Insurance  
A Montana Consumer's Guide to Automobile  
Insurance  
A Montana Consumer's Guide to Homeowners Insurance  
A Montana Consumer's Guide to Health Insurance

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A Montana Guide To Recent Changes in Federal and  
State Health Insurance Laws

A Montana Consumer's Guide to Life Insurance  
Montana Buyers Guide to Medicare Supplement  
Insurance

**{Tape : 1; Side : B; Approx. Time Counter : 0 - 30.7}**

**EXHIBIT(jgh10a04):** Current Fees Charged

**{Tape : 2; Side : A Approx. Time Counter : 0 - 30.7}**

**EXHIBIT(jgh10a05):** Memo to Mark O'Keefe from John Huth

Testimony of Proponents

**Jacqueline Lenmark, American Insurance Association**

- treats problems that they deal with together with professionalism
- experience with department has always been positive
- give special interest to the workers comp fraud position
- integrity of this industry is very important to member companies

**Roger McGlen, Executive Director of Independent Insurance  
Agencies**

- do want \$1 worth of regulation for \$1 worth of fees paid
- extremely frustrating when you have to wait up to 60 for a licence
- Need a strong regulation

**Greg VanHorssen, State Farm Insurance**

- support

**Al Pontrelli, MTALU**

- very important to get \$1 of regulation for \$1 of fees
- protect consumers

**Proponents:**

Jacqueline Lenmark, American Insurance Association

Roger McGlenn, IIAM

G. VanHorssen, State Farm Insurance

Al Pontrelli, MTALU

John Huth, State Auditors Office

Verner Bertelsen, MSCA

Dorothea Bertelsen, MSCA

Mark O'Keefe, SAO

Lynne Egan, SAO

Mark E. Nelson, SAO

Frank Cote, SAO

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The state special revenue deposit of accreditation fees came about because the state needed additional money, to come up to the bottom rung of the insurance regulation standard. The auditors office was allowed to raise their fees and have the ability to use within their agency. The insurance companies get \$0.70 of regulation services for each dollar paid.

**{Tape : 2; Side : B Approx. Time Counter : 0 - 30.7}**

Jim Turner, not questioning the office's integrity, said we are looking at the integrity of various fund types. Typically state special revenue is for when you have a dedicated revenue source used for a dedicated function.

**Question From Members and Responses**

**SEN. TAYLOR** asks how the office keeps their turnover rate down.

**Mr. O'Keefe** says that it may be because he knows that the managers know their jobs and he leaves them alone to do their jobs. They love their jobs because they help people all day. Everyone owns their own job and if they need resources he goes out and gets them.

**SEN. TAYLOR** asks if the computer system they are currently using is from ISD or if they are using their own software. **John Huth, SAO** says that they use their own system which is written in Q-Basic Language. It is not supported by ISD, but they do use ISD for their mainframe for SBAS. **SEN. TAYLOR** asks if this program was updated could you use ISD. **Frank Cote** says the current system is overflowing. They have had their computers down for weeks at a time. **Mr. Huth** says that if the utility was there with ISD to tap into they could do it. **Mr. O'Keefe** says that when they realized that they had an inadequate system, they went to ISD and asked for options. They said that they could change the system for \$4 Million or they could hire a consultant from ISD to upgrade the current system for \$200,000. They then borrowed \$130,000 to fix the problem. The ISD consultant was there for over a year and it is still not fixed. They have always brought the cheapest alternative to the committee.

**CHAIRMAN TAYLOR** asks how they hear about scams. **Mr. O'Keefe** says that this is a disadvantage to having a small agency. They do not have anyone outside of Helena and they only have 43 FTEs. They rely on their 800 number for people to call and report things that they feel are fraudulent.

**REP. PECK** asks about overseas fraud. **Lynne Egan, Head of Securities**, says that foreign exchange fraud and off shore trusts are the leading types frauds. If a person is being compensated

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for referring someone then they need to apply with the Auditors Office.

**CHAIRMAN TAYLOR** asks why the private insurance companies don't do educational seminars in the schools. **Mr. O'Keefe** says that some large insurance companies do this, but some schools feel that the information they give is slanted. People have more faith in the state auditors office.

**CHAIRMAN TAYLOR** asks how they regulate living trusts. **Mr. O'Keefe** says that living trusts involve people setting up trusts while they are still alive. in 1994 was when the scams began. People were acting as lawyers and cleaning out life saving accounts and making hard for people to have access to them. Their office put out a consumers guide saying that no one regulates them so be very careful. In 1995, they introduced a bill but it failed. In 1997 a bill passed, and they were given an FTE. In two years they have had only two companies file with them.

***{Tape : 3; Side : A; Approx. Time Counter : 0 - 30.7}***

**EXHIBIT 2 Attachments**

***Notes from Meeting***

**Original form taken from exhibit in bold**

**Money Recovered Vs. Agency Budget (Page 5)**

if combined money recovered and agency budget the state  
auditor's office remains a money maker and not a money  
spender

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**ADJOURNMENT**

Adjournment: 10:33 A.M.

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REP. LILA TAYLOR, Chairman

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LYNN DAILY, Secretary

LT/LD

**EXHIBIT** (jgh10aad)